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Brief questions and answers about required continuing professional education (CPE) for certified public accountants

American Institute of Certified Public Accountants

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**Brief Questions
And Answers
About Required
Continuing
Professional
Education (CPE)
For Certified
Public Accountants**



Background

Marvin L. Stone, president of the American Institute of CPAs (AICPA) in 1967, proposed required continuing education for CPAs. A special Committee on Continuing Education chaired by Elmer G. Beamer formally recommended it after two years of thorough study. Finally, in April of 1971, the AICPA's governing Council adopted such a policy noting that:

“... the explosion of knowledge and the increasing complexity of practice make it essential that certified public accountants continue to develop their competence, and

... the public interest requires that certified public accountants provide competent service in all areas of their practice, and

... formal programs of continuing education provide certified public accountants with the opportunity to maintain and improve their competence . . . ”

The AICPA's Council also decided to request the National Association of State Boards of Accountancy (NASBA) to support actions by each state and jurisdiction to require that CPAs continue their professional education as a condition of renewing their permits to practice. NASBA's Board of Directors did so in 1972, when it urged states and jurisdictions to adopt such guidelines, by statute or regulations.

Required continuing education is growing steadily with strong support from CPAs and legislatures. The following brief Questions and Answers are intended to inform interested parties about this encouraging trend.

Brief Questions And Answers About Required Continuing Professional Education (CPE) For Certified Public Accountants

Required continuing education for CPAs—is needed to promote the learning and application of new knowledge among CPAs whose services affect clients, third parties and the public. CPAs were among the first of the learned professions to seek such a requirement in the interest of providing our society with reliable, independent, consumer-oriented reports on the financial statements of organizations seeking investments, credit, contributions or taxes from the general public.

The number of CPAs who are required to continue their professional education has grown rapidly in response to dramatic economic and social changes.

The swift expansion of knowledge affecting the services of CPAs is partly influenced by:

The growth of rapid *transportation* to serve world markets;

The development of instant world-wide *communications*;

The refinement of high-speed internal *information systems* using *computers* and *mathematical science*;

The *consumerist* and *environmentalist* movements requiring greater accountability in industry and government;

The emergence of the *OPEC nations' oil pricing policies* and their inflationary impact on the world.

Considering the magnitude of these influences, it is reasonable to require all CPAs in public practice to complete the profession's recommended minimum of 40 contact hours of continuing professional education (CPE) each year.

Such laws and regulations do not impose a hardship on practitioners. A minimum requirement of 40 hours is the realistic alternative to technical obsolescence. Most CPAs recognize that additional time is needed to keep abreast of new tax decisions, administrative agency directives and interpretations of accounting and auditing standards. A CPA's professional status in our changing society rests in the current knowledge, skill and experience with which his services meet the needs of his clients, third parties and the general public.

Q&A.

Q. Why must CPAs continue their professional education?

A. One of the most dramatic phenomena of our time is the explosion of knowledge. It has been estimated that man's knowledge doubled between 1900 and 1950, and doubled again between 1950 and 1975. This accelerating rate of change has been accented by the effects of inflation, and by the growing number and complexity of all tax laws and governmental regulations.

Q. What type of CPE is needed?

A. That which contributes to the professional competence of the individual CPA. Because the field of accounting is broad, no single pattern of CPE is appropriate for all. But, there is some kind of CPE that will maintain and improve the competence of each. The individual CPA should determine for himself the subject matter appropriate to serve the needs of his clients, interested third parties and the community in which he practices.

Q&A.

Q. Why should CPE be required?

A. The profession would have no need for a requirement in the absence of time pressures to meet client deadlines and agency filing dates. CPAs could continue their professional education at their leisure. Unfortunately, only a requirement promotes widespread learning which is timely and planned. In addition, evidence suggests that substandard service is usually the result of a CPA's ignorance about a development which occurred after he completed his academic preparation and licensure.

Q. Why have required CPE only for CPAs in public practice?

A. Philosophically, all CPAs need CPE. But, those who have the most immediate impact on clients, third parties and the general public are those eligible to practice public accounting. The annual or biennial registration of CPAs with the board of accountancy, in those jurisdictions where a practice is conducted, makes it easy to control. CPAs employed in industry or government can voluntarily meet the recommended minimum of CPE hours, and many are doing so.

Q. What type of an education program will qualify?

A. Formal programs of learning which contribute directly to the professional competence of a CPA after he has been licensed to practice. The profession is urging all firms and organizations sponsoring CPE programs to adopt the CPE development, presentation, measurement and reporting standards prepared by the AICPA in 1976. These standards provide a quality level acceptable to boards of accountancy and other groups requiring CPE.

Q. Can you be sure that CPE will keep a CPA's services up-to-date?

A. Continuing Professional Education courses meeting the AICPA—prepared standards are designed and presented to provide the most current knowledge. Such CPE can maintain and improve the professional competence of CPAs, but it cannot assure that the CPA will not make an error of judgment in applying that knowledge. CPE promotes competent performance but cannot assure it.

Q. Is CPE too costly for practitioners and ultimately for their clients and the public?

A. Independent studies have shown that most practicing CPAs do not consider the cost of CPE as an economic burden. The maximum cost to any firm has been a few percent in terms of gross billings, a negligible price for the benefits to clients, investors or lenders, the public and the CPAs themselves.

Q. How do CPAs themselves feel about mandatory CPE?

A. Impartial surveys have shown that active CPAs believe formal CPE should be required, leading to long-run improvements in the quality of accounting practice. They also believe that the CPA in public practice has an obligation to the public and to the profession to maintain high standards of performance.

Q. Why do active CPAs support the concept of required CPE when they admit they would participate even if the plan were only voluntary?

A. Most CPAs do so out of enlightened self-interest. They can better serve clients, enjoy the respect of other professionals, gain advancement and probably enhance their incomes.

Q&A

Q. How many jurisdictions now have required continuing education for CPAs?

A. As of November 1979, 35 states and the District of Columbia had enacted statutes or promulgated state board regulations as a condition for CPA license renewal. Three state CPA Societies passed a CPE requirement for membership when they were unable to get a state statute passed.

Q. How many practicing CPAs are now required to participate in continuing education?

A. A reasonable estimate is 64%, or 54,000 CPAs of the 84,000 CPAs practicing public accounting in 1979. Under state laws or board of accountancy regulations we estimate there are 30,000. State society membership requirements add about 2,500. Eliminating the nearly 50% overlap in these two groups with the 42,800 CPAs in firms participating in the AICPA's self-regulatory Division for CPA Firms, another 21,500 CPAs are required to continue their education by virtue of their association with the participating firms. As the number covered grows significantly, concern also grows for those who are not required to continue their education and their potential exposure to increasingly complex economic and social trends.

Q. Does required CPE have other advantages for the CPA?

A. Yes. He becomes aware of new opportunities for service sooner than he would become aware otherwise and can compete more effectively as a result. The requirement also permits the CPA to identify and plan ahead for the CPE programs most useful to himself each year.

A byproduct of the increased number of CPAs continuing their education is the professions' newly found ability to provide a wide choice of useful courses covering diverse subjects with the latest developments. Increased participation has also allowed the profession to use the most effective educational designs, such as multi-media presentations which actively involve the CPA in self-assessment and learning.

In contrast, voluntary CPE was characterized by limited course selection of only the most basic and popular subjects.

Q. If required CPE is good, why isn't required reexamination better?

A. The diversity of client needs and hence the nature of accounting services performed precludes the valid use of one examination for relicensure. Required CPE is more relevant. The cost of annually preparing and grading valid and reliable examinations in different areas of practice would be prohibitive. Required CPE is more practical.

In Conclusion

To sum up, we believe the public interest is served well by legislation requiring CPAs to continue their learning. We believe practicing CPAs recognize this as a professional obligation. The CPA societies are committed to providing the variety and quality of programs to meet this need. We ask thoughtful people in the profession and in public life to support this effort to promote high quality professional accounting service.

States Having Required Continuing Professional Education

| State | Legislation Enacted | Regulations Effective |
|----------------------|---------------------|-----------------------|
| Alabama | 1973 | Oct. 1, 1972 |
| Alaska | 1976 | Jan. 18, 1978 |
| Arizona | 1979 | |
| Arkansas | 1979 | |
| California | 1972 | July 1, 1973 |
| Colorado | 1973 | Jan. 1, 1974 |
| Connecticut | 1978 | |
| District of Columbia | 1978 | |
| Florida | 1973 | Apr. 30, 1974 |
| Georgia | 1977 | Mar. 1, 1978 |
| Hawaii | 1973 | Jan. 1, 1974 |
| Indiana | 1979 | |
| Iowa | 1974 | Jan. 1, 1978 |
| Kansas | 1973 | Jan. 1, 1974 |
| Louisiana | 1979 | |
| Maine | 1979 | |
| Maryland | 1976 | Jan. 5, 1977 |
| Massachusetts* | 1978 | July 1, 1979 |
| Michigan | 1976 | July 1, 1976 |
| Minnesota | 1976 | Jan. 1, 1978 |
| Montana | 1979 | |
| Nebraska | 1971 | Dec. 31, 1975 |
| Nevada | 1973 | Jan. 1, 1974 |
| New Mexico | 1977 | Jan. 1, 1976 |
| North Carolina | 1979 | |
| North Dakota | 1975 | June 30, 1975 |
| Ohio | 1974 | Jan. 17, 1975 |
| Oregon | 1975 | Feb. 18, 1976 |
| Pennsylvania | 1976 | Dec. 8, 1976 |
| Rhode Island* | 1979 | Oct. 3, 1979 |
| South Carolina | 1974 | July 1, 1976 |
| South Dakota | 1973 | July 1, 1975 |
| Texas** | 1979 | |
| Vermont | 1975 | July 1, 1978 |
| Washington | 1973 | July 16, 1976 |
| Wyoming | 1975 | Dec. 31, 1978 |

*Legislation requiring continuing education was not enacted. The Rhode Island and Massachusetts Boards of Public Accountancy adopted, through regulatory means, mandatory CPE.

**Texas' legislation permits the board to impose CPE. It is not a mandatory law.

AICPA

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